

Community Development Block Grant Program
CFDA Number 14.228
Department of Community and Economic Development
Program 5

I. PROGRAM OBJECTIVES

The objective of the Community Development Block Grant Program is to enhance the quality of life for low-income residents by expanding economic opportunities in rural Alaska. The CDBG Program fulfills this objective through the undertaking of eligible activities, which benefit low and moderate-income persons.

This program includes federal pass through funds and the audit should be conducted in accordance with federal audit requirements.

II. PROGRAM PROCEDURES

The State distributes CDBG funds to small units of general local government (incorporated cities and boroughs) which do not qualify for entitlement grants (all cities except the Municipality of Anchorage). Grants are solicited and awarded annually on a competitive basis.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

In addition to federal statutory requirements, the Department is obligated to issue an annual hearing and community development plan consistent with Federal statutes and regulations. This plan should be reviewed prior to beginning the audit, and is available from the Department's Municipal and Regional Assistance Division.

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

Compliance Requirements

Activities assisted under this program may include only:

1. the requisition of real property (including air rights, water rights, and other interests therein) which is a) blighted, deteriorated, deteriorating, undeveloped, or inappropriately developed from the standpoint of sound community development and growth; b) appropriate for rehabilitation or conservation activities; c) appropriate for the preservation or restoration of historic sites, the beautification of urban land, the conservation of open spaces, natural resources, and scenic areas, the provision of recreational opportunities, or the guidance of urban development; d) to be used for the

- provision of public works, facilities, and improvements eligible for assistance under this title; or e) to be used for other public purposes;
2. the acquisition, construction, reconstruction, or installation (including design features and improvements with respect to such construction, reconstruction, or installation that promote energy efficiency) of public works, facilities (except for buildings for the general conduct of government), and site or other improvements;
 3. code enforcement in deteriorated or deteriorating areas in which such enforcement, together with public or PRIVATE IMPROVEMENTS OR services to be provided, may be expected to arrest the decline of the area;
 4. clearance, demolition, removal, and rehabilitation (including rehabilitation which promotes energy efficiency) of buildings and improvements (including interim assistance, and financing public or private acquisition for rehabilitation, or privately owned properties and including the renovation of closed school buildings);
 5. special projects directed to the removal of material and architectural barriers which restrict the mobility and accessibility of elderly and handicapped persons;
 6. payments to housing owners for losses of rental income incurred in holding for temporary periods housing units to be utilized for relocation of individuals and families displaced by activities under this title;
 7. disposition (through sale, lease, donation or otherwise) of any real property acquired pursuant to this title or its retention for public purposes;
 8. provisions of public services, including but not limited to those concerned with employment, crime prevention, child care, health, drug abuse, education, energy conservation, welfare or recreation needs, if such services have not been provided by the unit of general local government (through funds raised by such unit, or received by such unit from the State in which it is located) during any part of the twelve-month period immediately preceding the date of submission of the statement with respect to which funds are to be made available under this title, and which are to be used for such services, unless the Secretary finds that the discontinuation of such services was the result of events not within the control of the unit of general local government, except that not more than 15 percent of the amount of any assistance to a unit of local government (or in the case of non-entitled communities not more than 15 percent statewide) under this title including program income may be used for activities under this paragraph unless such unit of general local government used more than 15 percent of the assistance received under this title for fiscal year 1982 or fiscal year 1983 for such activities (excluding any assistance received pursuant to Public Law 98-8), in which case, such unit of general local government may use not more than the percentage or amount of such

assistance used for such activities for such fiscal year, whichever method of calculation yields the higher amount, and except that of any amount of assistance under this title (including program income) in each of fiscal years 1993 through 1997 to the city of Los Angeles and county of Los Angeles, each such unit of general government may use not more than 25 percent in each fiscal year for activities under this paragraph;

9. payment of the non-federal share required in connection with a federal grant-in-aid program undertaken as part of activities assisted under this title;
10. payment of the cost of completing a project funded under title I of the Housing Act of 1949;
11. relocation payments and assistance for displaced individuals, families, businesses, organizations, and farm operations, when determined by the grantee to be appropriate;
12. activities necessary a) to develop a comprehensive community development plan, and b) to develop a policy- planning-management capacity so that the recipient of assistance under this title may more rationally and effectively (i) determine its needs, (ii) set long-term goals and short-term objectives, (iii) devise programs and activities to meet these goals and objectives, (iv) evaluate the progress of such programs in accomplishing these goals and objectives, and (v) carry out management, coordination, and monitoring of activities necessary for effective planning implementation;
13. Payment of reasonable administrative costs related to establishing and administering federally approved enterprise zones and payment of reasonable administrative costs and carrying charges related to the planning and execution of community development and housing activities, including the provision of information and resources to residents of areas in which community development and housing activities are to be concentrated with respect to the planning and execution of such activities, and including the carrying out of activities as described in section 701(e) of the Housing Act of 1954 on the date prior to the date of enactment of the Housing and Community Development Amendments of 1981;
14. Provision of assistance including loans (both interim and long term) and grants FOR activities which are carried out by public or private nonprofit entities, including a) acquisition of real property; b) acquisition, construction, reconstruction, rehabilitation, or installation of (i) public facilities (except for buildings for the general conduct of government), site improvements, and utilities, and (ii) commercial or industrial buildings or structures and other commercial or industrial real property improvements; and c) planning;
15. assistance to neighborhood-based nonprofit organizations, local development corporations, nonprofit organizations serving the development

needs of the communities of non-entitlement areas, or entities organized under section 301(d) of the Small Business Investment Act of 1958 to carry out a neighborhood revitalization or community economic development or energy conservation project in furtherance of the objectives or section 101(c), and assistance to neighborhood-based nonprofit organizations, or other private or public nonprofit organizations, for the purpose of assisting, as part of neighborhood revitalization or other community development of shared housing opportunities (other than by construction of new facilities) in which elderly families (as defined in section 3(b)(3) of the United States Housing Act of 1937) benefit as a result of living in a dwelling in which the facilities are shared with others in a manner that effectively and efficiently meets the housing needs of the residents and thereby reduces their cost of housing;

16. activities necessary to the development of energy use strategies related to recipient's development goals, to assure that those goals are achieved with maximum energy efficiency, including items such as a) an analysis of the manner in, and the extent to, which energy conservation objectives will be integrated into local government operations, purchasing and service delivery, capital improvements, budgeting, waste management, district heating and cooling, land use planning and zoning, and traffic control, parking, and public transportation functions; and b) a statement of the actions the recipient will take to foster energy conservation and the use of renewable energy resources in the private sector, including the enactment and enforcement of local codes and ordinances to encourage or mandate energy conservation use of renewable energy resources, financial and other assistance to be provided (principally for the benefit of low and moderate income persons) to make energy conserving improvements to residential structures, and any other proposed energy conservation activities;
17. provisions of assistance to private, for-profit entities, when the assistance is appropriate to carry out an economic development project (that shall minimize, to the extent practicable, displacement of existing businesses and jobs in neighborhoods) that a) creates or retains jobs for low and moderate income persons; b) prevents or eliminates slums and blight; c) meets urgent needs; d) creates or retains businesses owned by community residents; e) assists businesses that provide goods or services needed by, and affordable to, low and moderate income residents; or f) provides technical assistance to promote any of the activities under (a) through (e);
18. the rehabilitation or development of housing assisted under section 17 of the United States Housing Act of 1937;
19. provision of assistance to facilitate substantial reconstruction of housing owned and occupied by low and moderate income persons a) where the need for reconstruction was not determinable until after rehabilitation under

- this section had already commenced, or b) where the reconstruction is part of a neighborhood rehabilitation effort and the grantee (i) determines the housing is not suitable for rehabilitation, and (ii) demonstrates to the satisfaction of the Secretary that the cost of substantial reconstruction is significantly less than the cost of new construction and less than the fair market value of the property after substantial reconstruction;
20. provision of technical assistance to public or nonprofit entities to increase the capacity of such entities to carry out eligible neighborhood revitalization or economic development activities, which assistance shall not be considered a planning cost as defined in paragraph (12) or administrative cost as defined in paragraph (13);
 21. housing services, such as housing counseling, energy auditing, preparation of work specifications, loan processing, inspections, tenant selection, management of tenant-based rental assistance, and other services related to assisting owners, tenants, contractors, and other entities, participating or seeking to participate in housing activities authorized under this section, or under Title II of the Cranston-Gonzalez National Affordable Housing Act, except that activities under this paragraph shall be subject to any limitation on administrative expenses imposed by any law;
 22. provision of assistance by recipients under this Title to institutions of higher education having a demonstrated capacity to carry out eligible activities under this subsection for carrying out such activities;
 23. provision of assistance to public and private organizations, agencies, and other entities (including nonprofit and for-profit entities) to enable such entities to facilitate economic development by a) providing credit (including providing direct loans and loan guarantees, establishing revolving loan funds, and facilitating peer lending programs) for the establishment, stabilization, and expansion of micro-enterprises; b) providing technical assistance, advice, and business support services (including assistance, advice, and support relating to developing business plans, securing funding, conducting marketing, and otherwise engaging in micro-enterprise activities) to owners of micro-enterprises and persons developing micro-enterprises; and c) providing general support (such as peer support programs and counseling) to owners of micro-enterprises and persons developing micro-enterprises;
 24. activities necessary to make essential repairs and to pay operating expenses necessary to maintain the habitability of housing units acquired through tax foreclosure proceedings in order to prevent abandonment and deterioration of such housing in primarily low and moderate income neighborhoods; and
 25. provision of direct assistance to facilitate and expand home ownership among persons of low and moderate income (except that such assistance shall not be considered a public service for purposes of paragraph (8)) by

using such assistance to a) subsidize interest rates and mortgage principal amounts for low and moderate income home buyers; b) finance the acquisition by low and moderate income home buyers; c) acquire guarantees for mortgage financing obtained by low and moderate income home buyers from private lenders (except that amounts received under this Title may not be used under this subparagraph to directly guarantee such mortgage financing and grantees under this title may not directly provide such guarantees); d) provide up to 50 percent of any down payment required from low or moderate income home buyer; or e) pay reasonable closing costs (normally associated with the purchase of a home) incurred by a low or moderate income home buyer.

Suggested Audit Procedures

- Identify activities funded with CDBG grant funds.
- Test expenditure and related records.

Compliance Requirements

Up to 10 percent of the grant may be expended at the community level for administrative costs.

Suggested Audit Procedures

- Ascertain the amount of the grant.
- Review the financial records and determine amount expended for administrative costs.

B. ELIGIBILITY

The auditor is not expected to make tests for recipient eligibility.

C. MATCHING, LEVEL OF EFFORT, AND/OR EARMARKING REQUIREMENTS

Compliance Requirements

There are no specific requirements for matching, level of effort, or earmarking. However, leveraging of funds is a consideration in the evaluation of grant applications. Grant agreement budgets will typically identify any leveraged funds.

Suggested Audit Procedure

- Determine if the amount and source of funds identified by the community for leveraging was applied to the project.

D. REPORTING REQUIREMENTS

Compliance Requirements

Communities are required to submit monthly and/or quarterly progress reports, as specified in the grant agreement.

Suggested Audit Procedures

- Examine copies of reports and determine completeness and timeliness of submission.
- Trace data in selected reports to underlying documentation.

E. SPECIAL TESTS AND PROVISIONS

Compliance Requirement

Grantees are required to adhere to the National Environmental Policy Act and other provisions of law as provided in Title I of the Housing and Urban Development Act of 1974, as amended through October 28, 1992.

Suggested Audit Procedure

- Review and assess for adequacy the grantee's activities for compliance with the Housing and Urban Development Act, as amended through October 28, 1992.

Compliance Requirement

All laborers and mechanics employed by contractors or subcontractors on construction work shall be paid wages which are in conformance with the Davis-Bacon Act as amended in 40 U.S.C. 276a--5, and Section 110(a) and (b) of Title I of the Housing and Urban Development Act of 1974, as amended through October 28, 1992.

Suggested Audit Procedures

- As appropriate, review financial and related records and verify appropriate wages were paid.
- Review subcontracts and determine whether appropriate labor standards were met. Review and assess for adequacy the grantee's procedures for verifying subcontractors met the labor standards.

Compliance Requirement

Grantees are to conform to the requirements of Pub. L. 88-352, Title VI of the Civil Rights Act of 1965, and Pub. L. 90-284, Title VIII of the Civil Rights Act of 1968 (the Fair Housing Act) and Section 109 of the Housing and Community Development Act of 1974, as amended through October 28, 1992.

Suggested Audit Procedures

- Review and assess for adequacy the grantee's procedures for assuring non-discrimination in the use of and/or benefits derived from the grant funds.

Modified 5/00